GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3401
ANSWERED ON:05.08.2016
Difference between WPI and CPI
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Will the Minister of FINANCE be pleased to state:

(a)whether there is a huge difference between wholesale Price Index (WPI) and Consumer Price Index (CPI) in the country; if so, the details therefor;

(b)whether the WPI-based inflation galloped to a 20-month high of 1.62% in June, 2016; if so the details thereof and reasons therefor;

(c)the rate of inflation as measured by WPI and CPI (Industrial Workers) during the last six months;

(d) the details of its comparison with the corresponding period of 2013-14 and 2014-15; and

(e) the effective measures the Government proposes to take in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) to (b) : As per the latest monthly data for June 2016, the Wholesale Price Index with base 2004-05 stood at 182.0 and the Consumer Price Index (Combined) with base 2012 has reached 130.1. The headline inflation based on the WPI and CPI was 1.62 per cent and 5.77 per cent respectively for June 2016. WPI inflation for the month of June 2016 has been the highest since last 20 months. The difference between WPI and CPI index numbers is partly owing to variation in the scope and structure of the two baskets. The WPI basket assigns significantly larger weight to tradeable commodities and comparatively lower weight to food items, while CPI basket assigns higher weight to food items and includes services like health and education. While the prices of tradable commodities are largely influenced by international prices, the prices of non-traded food and services like education and health services are determined by domestic prices. The decline in global commodity prices, in particular crude oil price, has been the key reason for persistently lower level of WPI based inflation.

(c) to (e) : The rate of inflation as measured by WPI and CPI (Industrial Workers) during the last six months and its comparison with the corresponding period of 2014 and 2015 is given in Table 1 below. The difference in scope, items in the respective basket, weighting structure, price quotations and gap in base year leads to variation in the inflation estimates of the two series.

Table 1: Inflation based on WPI and CPI (Industrial Workers) (in per cent)

	WPI			CPI (Industrial Workers)		
	2014	2015	2016	2014	2015	2016
January	5.11	-0.95	-1.07	7.24	7.17	5.91
February	5.03	-2.17	-0.85	6.73	6.30	5.53
March	6.00	-2.33	-0.45	6.70	6.28	5.51
April	5.55	-2.43	0.79	7.08	5.79	5.86
May	6.18	-2.20	0.79	7.02	5.74	6.59
June	5.66	-2.13	1.62	6.49	6.10	6.13

Source: Department of Industrial Policy & Promotion, Labour Bureau
Note: WPI inflation for May and June 2016 are provisional
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